

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 RSR-01 /146 W

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R 271723 Z APR 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 811

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

UNCLAS LONDON 4970

DEPARTMENT PASS TREASURY, COMMERCE, FRB.

E. O. 11652: N/ A

TAGS: ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING APRIL 27

BEGIN SUMMARY: UNEMPLOYMENT IN GREAT BRITAIN STOOD

AT 2.7 PER CENT OF ALL EMPLOYEES AS OF MID- APRIL,

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COMPARED TO 3.8 PER CENT FOR THIS PERIOD OF 1972.

RETAIL PRICES ARE RISING AT AN ANNUAL RATE OF 7.2 PER CENT BUT RETAIL SALES ARE RISING AT AN ANNUAL RATE OF 12 1/2 PER CENT. CONSUMER SPENDING ROSE BY AN ANNUAL RATE OF 10 PER CENT DURING THE FIRST QUARTER OF 1973. GROWTH IN THE MONEY SUPPLY SLACKENED A BIT IN THE PERIOD MID- FEBRUARY TO MID-MARCH, ALTHOUGH IT IS STILL GROWING AT LEVELS THAT ARE HIGHER THAN IS CONSISTENT WITH THE GOVERNMENT'S COUNTER- INFLATION POLICIES. THE BANK OF ENGLAND IS TO CARRY OUT A DETAILED INVESTIGATION OF THE STRUCTURE AND OPERATIONS OF THE MARKET IN STERLING CERTIFICATES OF DEPOSIT. STERLING CLOSED ON THURSDAY AT \$2.4869-1/2, DOWN FROM THE WEEK'S HIGH OF \$2.4879-1/2 ON APRIL 25. GOLD CLOSED AT \$90.65 ON THURSDAY, DOWN FROM THE WEEK'S HIGH OF \$90.75 ON APRIL 24. THE MINIMUM LENDING RATE, RAISED LAST THURSDAY TO 3-1/4 PERCENT FROM 8 PER CENT, REMAINED AT 3-1/4 PER CENT ON APRIL 27. END SUMMARY

1. THE NUMBER OF UNEMPLOYED (SEASONALLY ADJUSTED) DECREASED BY 13,6000 TO STAND AT 616,700 (2.7 PER CENT OF ALL EMPLOYEES) ON APRIL 9. THE RATE OF UNEMPLOYMENT HAS CONTINUED TO FALL SINCE MARCH OF 1972 WHEN IT WAS 3.8 PER CENT. MEANWHILE, FIGURES FOR UNFILLED VACANCIES (S. A.) HAVE GONE UP BY 24,700 A MONTH SINCE JANUARY TO 274,700. DURING THE LAST 12 MONTHS, UNEMPLOYMENT HAS DROPPED BY ABOUT A QUARTER, AND THERE ARE BEGINNING TO BE CLEAR SIGNS OF OVERHEATING IN THE ECONOMY, ESPECIALLY WITHIN THE ENGINEERING AND CONSTRUCTION INDUSTRIES.

2. THE RETAIL PRICE INDEX ROSE BY 0.6 PER CENT IN MARCH TO STAND AT 173.4 (JANUARY 1962 - 100). THIS IS EQUIVALENT TO AN ANNUAL RATE OF INCREASE OF 7.2 PER CENT - THE SAME RATE OF INCREASE WHICH HAS EXISTED SINCE NOVEMBER WHEN THE WAGE AND PRICE FREEZE WAS INSTITUTED. COMPARED TO MARCH 1972, THE INDEX HAS RISEN BY 8.2 PER CENT. MOST OF THE INCREASE WAS DUE TO RISES IN FOOD PRICES.

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3. CONSUMER SPENDING ROSE AT THE EXTRAORDINARILY HIGH ANNUAL RATE OF 10 PER CENT DURING FIRST QUARTER 1973. PART OF THE INCREASE REFLECTS THE PRE- VAT BUYING SPREE IN THE LAST WEEKS OF MARCH. CONSUMER SPENDING ROSE 2-1/2 PER CENT BETWEEN FOURTH QUARTER 1972 AN FIRST QUARTER 1973 TO 6,790 MILLION POUNDS (1963 PRICES, S. A.). MUCH OF THE MOMENTUM IN THE FIRST QUARTER CAME FROM RETAIL

SALES, WHICH GREW AT AN ANNUAL RATE OF NEARLY 12-1/2 PER CENT IN THE THREE MONTHS TO FEBRUARY.

4. THE ANNUAL RATE OF INCREASE IN THE MONEY STOCK (M3) WAS 32.5 PERCENT OVER THE THREE MONTHS TO MID- MARCH (S. A.) COMPARED TO 38.3 PER CENT IN THE THREE MONTHS TO MID- FEBRUARY. THE RISE IN M1 FOR MARCH ALONE WAS 2 PER CENT - MORE THAN THE RISE IN M3 WHICH WAS 1.8 PER CENT. THE BANK OF ENGLAND SAYS THAT " THE SMALLER INCREASE IN M3 THIS MONTH PROBABLY REFLECTS SOME UNWINDING OF THE SPECIAL TRANSACTIONS WHICH HELPED TO SWELL ITS GROWTH IN RECENT MONTHS - SUCH AS THE USE OF FUNDS BORROWED FROM THE BANKS TO INVEST IN TERM DEPOSITS AND CERTIFICATES OF DEPOSIT".

5. THE BANK OF ENGLAND IS EXPECTED TO SEND OUT A DETAILED QUESTIONNAIRE TO 269 U. K. BANKS, WHICH ARE COVERED BY THE CREDIT CONTROL ARRANGEMENTS, ASKING THEM TO PROVIDE FULL INFORMATION ON THEIR COMMITMENTS IN THE STERLING CD MARKET. THE MARKET IN STERLING CD' S HAS EXPANDED RAPIDLY SINCE THE REMOVAL OF THE CREDIT CEILINGS IN SEPTEMBER 1971, WITH THE TOTAL IN ISSUE RISING FROM 1,780 MILLION POUNDS AT THAT TIME TO 5,307 MILLION POUNDS IN MID- MARCH. IN GENERAL, THE BOE WELCOMED DEVELOPMENT OF THE STERLING CD MARKET AS PROVIDING GREATER EFFICIENCY IN THE BANKING SYSTEM, BUT IT SOUNDED A WARNING ABOUT ONE ASPECT OF THE MARKET IN THE DECEMBER BULLETIN, POINTING OUT THE SUBSTANTIAL EXTENT TO WHICH BANKL CD' S WERE BEING HELD BY OTHER BANKS RATHER THAN UNCLASSIFIED

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OUTSIDE THE BANKING SYSTEM, AND THE POSSIBLE DANGERS OF A REVERSAL OF THIS " PROCESS OF MULTIPLE EXPANSION" IN TIGHTER CREDIT CONDITIONS.

6. STERLING CLOSED ON THURSDAY AT \$2.4869-1/2, UP 30 POINTS FROM LAST THURSDAY' S CLOSE. THE DISCOUNT ON STERLING MOVED ERRATICALLY DURING THE WEEK.

	4/19	4/26	:#-,&3
1 MONTH	0.34-1/2	0.37-1/2	UP 0.03
3 MONTHS	1.17-1/2	1.12-1/2	DOWN 0.05
6 MONTHS	2.62-1/2	2.42-1/2	DOWN 0.20

(ALL FIGURES IN CENTS)

7. LOCAL AUTHORITY DEPOSIT RATES FELL AT ONE MONTH, THREE MONTHS AND SIX MONTHS DURING THE WEEK.

	4/19	4/26	CHANGE
1 MONTH	9-9/32	8-15/16	DOWN 11/32

3 MONTHS	9-3/8	9-1/4	DOWN 1/8
6 MONTHS	9-1/2	9-5/16	DOWN 3/16

8. EURODOLLAR RATES ROSE AT ALL MATURITIES TOWARDS
THE END OF THE WEEK.

	4/19	4/26	CHANGE
1 MONTHS	8-5/16	8-1/8	DOWN 3/16
3 MONTHS	8	8-3/8	UP 3/8
6 MONTHS	8-1/16	8-1/2	UP 7/16

9. GOLD CLOSED AT \$90.65 ON THURSDAY, DOWN 10 CENTS
FROM LAST THURSDAY' S CLOSE.
SOHM

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*** Current Handling Restrictions *** n/a
*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 27 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Enclosure: n/a
Executive Order: n/a
Errors: n/a
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From: LONDON
Handling Restrictions: n/a
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Line Count: 185
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 03 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03-Aug-2001 by reddocgw>; APPROVED <17-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980204
Subject: ECONOMIC DEVELOPMENTS - WEEK ENDING APRIL 27
TAGS: ECON, UK
To: BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN
EB
EC BRUSSELS

LUXEMBOURG
SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005